

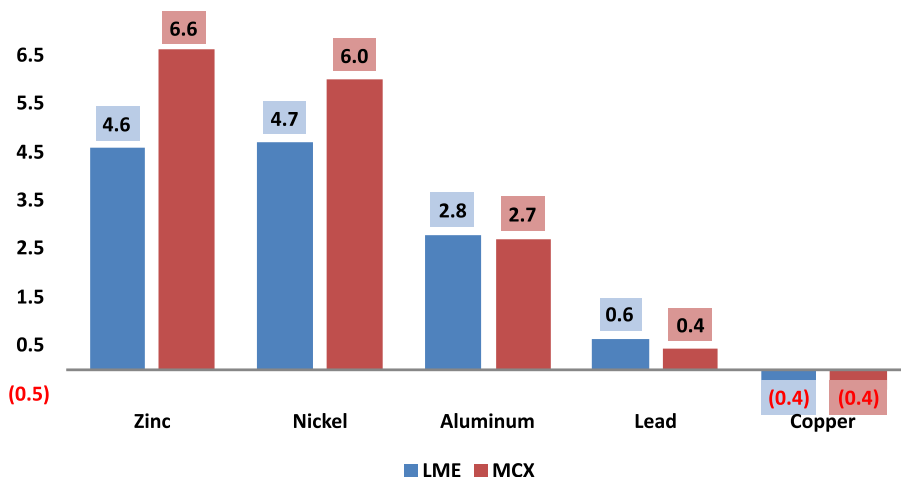
Price Performance



Base Metals

Base metals prices traded on a positive note except Copper in the last month on account of optimistic global market sentiments along with weakness in the DX. Positive economic data from major global economies along with declining trend in LME inventories (except for Nickel) also acted as positive factors during February. However, sharp upside in the prices was prevented due to uncertainty over QE tapering by the Federal Reserve in its future meetings. Also, weak economic growth and a plunge in manufacturing data from Chinese economy restricted positive movement in the prices.

Base Metals Price Performance Feb'14 (% Chg)



Copper

Copper, which is the leader of the base metals complex declined marginally around 0.4 percent in Feb'14 on account of rising world production of the metal. A sharp increase in Shanghai copper inventories by more than 33 percent in Feb'14 exerted further downside pressure on the prices.

Uncertainty over the QE tapering by the Federal Reserve in its upcoming meetings acted as a negative factor. Also, weak economic growth of the Chinese economy which is the major consumer of the metal along with fall in manufacturing activity of world's second largest economy continued with downside movement in the prices. On the domestic bourses, prices slipped around 0.4 percent in the last month due to appreciation in the Rupee.

However, sharp upside in the prices was prevented due to upbeat market sentiments along with weakness in the DX. Even,

optimistic economic data from major global economies failed to provide respite to fall in the prices. Decline in LME copper inventories by more than 12 percent also cushioned sharp negative movement in the prices.

Apart from the macroeconomic fundamentals, major factors which restricted negative movement in the prices were estimates of deficit between demand and supply for the red metal in the current year.

Aluminum

LME Aluminum prices increased around 2.8 percent during the month of February'14. Prices surged mainly on account of decline in LME aluminum inventories around 2 percent in February'14. Upbeat market sentiments on the back of favorable economic data from Euro Zone and the UK also supported an upside in the prices. Additionally, weakness in the DX further supported positive market sentiments. On the MCX, Aluminum prices gained around 2.7 percent.

However, sharp upside in the prices was prevented due to rise in premiums in China and Japan which are the major consumers of the metal. A sharp increase in Shanghai inventories which rose by more than 36 percent in the month of February restricted further upside movement in the prices.

On the macro economic front, negative economic data from China and mixed data from the US continued to add worries for demand for the commodity. Even uncertainty over the QE tapering by The Federal Reserve in its coming meeting continued to prevent positive movement in the prices.

The metal continues to remain in surplus due to a rise in the production capacity, especially in China. In fact, increase in production capacity in China and Middle East has helped to keep market in surplus from 2007 to 2013 and the same is expected to continue in 2014 also. Oversupply situation has exerted downside pressure on the aluminum prices and thus, the producers are now attempting to cut their production.

US based company Alcoa which has plants worldwide is planning to reduce its production. Alcoa planned to shut down its 190,000 tonne-a-year Point Henry smelter in Australia as the plant has no prospect to become financially profitable to the organization. The company's total closures or curtailment to production now stands at 551,000 tonnes of capacity which is about 1 percent of the world supply of the metal.

Output by Rusal, the world's biggest producer, fell by 316,000 tonnes in 2013, around 8 percent lower year on year. The company intends to cut production by the same quantity in the current year too.

Further, Rusal cuts of production in Europe

Commodity	Support 1	Support 2	CMP	Resistance 1	Resistance 2
LME Copper (\$/tonne)	6910	6810	6966	7180	7350
MCX Copper (Rs./kg)	434	428	438.85	451	461
LME Aluminium (\$/tonne)	1710	1670	1724	1790	1830
MCX Aluminium (Rs./kg)	104.8	102.4	105.7	110	112.6
LME Nickel (\$/tonne)	14190	13720	14629	15000	15500
LME Nickel (Rs./kg)	880	850	918	930	960
LME Lead (\$/tonne)	2090	2050	2108	2180	2250
MCX Lead (Rs./kg)	129	127	130.7	135	139
LME Zinc (\$/tonne)	1990	1910	2059.75	2120	2170
MCX Zinc (Rs./kg)	124	119	128.8	132	135



and Americas amounted to 1.2 million tonnes of reduced capacity in 2013. Rio Tinto, which is the world's second biggest producer, is planning to cut its smelting capacity in the current year.

Outlook

For the month of March '14 we expect base metal prices to trade lower on the back of weak manufacturing and economic growth data from China. Slow economic growth in the US for Q4 of 2013 which has led to increase in concerns over the demand for the metals will also exert

downside pressure on the prices. Uncertainty over QE tapering by the Federal Reserve persists and this will add as a negative factor for the prices. The Federal Reserve is scheduled to meet on 18th-19th Mar'14 and the decision over QE tapering will be crucial for directing price trend over the coming months. On the domestic bourses, appreciation in the Rupee will lead to negative movement in the base metals prices.

However, sharp downside in the prices will be prevented due to favorable economic data

from Euro Zone and the UK. Upbeat market sentiments coupled with weakness in the DX will cushion sharp downside or may even reverse the price trend.

Copper prices will continue to trade on a negative note due to strong fundamentals on supply side which has seen rise in the refined copper production. But estimates of deficit between demand and supply in current year can cushion sharp fall or may even reverse the price trend.